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October 27, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02202

Re: D.T.E. 04-61 – Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Termination of Power Purchase Agreements with MASSPOWER

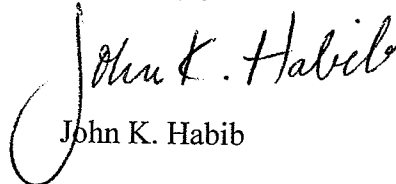
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Dear Secretary Cottrell:

Enclosed please find Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric's ("NSTAR Electric") responses to the record requests listed on the following page. Please note that attachments relating to several of these responses are confidential and are being filed under separate cover with the Hearing Officer and the Attorney General only.

Thank you for your attention to this matter.

Very truly yours,

  
John K. Habib

Enclosures

cc: Service List  
Joan Foster Evans, Hearing Officer (2)  
Colleen McConnell, Assistant Attorney General (2)

**RESPONSES ATTACHED**

**RR-AG-2-1 CONFIDENTIAL ATTACHMENTS**

**RR-AG-2-2 CONFIDENTIAL ATTACHMENTS**

Record Request AG-2-1

Referring to the Company's supplemental, updated response part (a) to Information Request DTE-1-3 please provide a complete copy of the source documents used to determine the updated gas PPI index.

Response

**CONFIDENTIAL ATTACHMENTS**

Please refer to Attachment RR-AG-2-1(a) **CONFIDENTIAL**, Attachment RR-AG-2-1(b) **CONFIDENTIAL**, Attachment RR-AG-2-1(c) **CONFIDENTIAL**, and Attachment RR-AG-2-1(d) **CONFIDENTIAL**, on page four of each attachment for the 3-month Average Producer Price Index for Natural Gas, 3-month Average Producer Price Index for RR Line Haul Operations-Coal, and the 3-month Average Cost of Petroleum for Steam-Electric Plants. The chart below shows the more current prices that were utilized in Exhibit DTE-1-3 (Supplemental) **CONFIDENTIAL** and may be found on page four of each invoice.

	3-month Average Producer Price Index for Gas	3-month Average Producer Price Index for Coal	3-month Average Cost of Petroleum for Steam-Electric Plants
January 2004	192.93	112.13	483.82
February 2004	189.40	112.40	484.12
March 2004	203.97	112.43	483.83
April 2004	218.93	112.5	476.73

Record Request AG-2-2

Please provide a complete and detailed description of how Mr. Hevert's Projected Market Price was effected by the PPI Index Update that he provided in the Supplemental Update to Information Request DTE-1-3. If it was not effected by that update, please provide a complete and detailed description of why it was not.

Response

**CONFIDENTIAL ATTACHMENT**

The Projected Market Price was not affected by the update to the PPI Index included in the Exhibit DTE-1-3 (Supplemental). As explained by Mr. Hevert (Tr. 1, at 17-19), the only component of CEA's analysis that was affected by the revisions included in the Exhibit DTE-1-3 (Supplemental) was the Energy Charge component of the Boston Edison contract. Consequently, neither of the Commonwealth contracts, nor the Boston Edison Capacity Charge, nor the Market Price of Energy was affected by the revision.

As Mr. Hevert explained, the Energy Charge component of the Boston Edison contract is based on the PPI Index for Natural Gas, the PPI Index for RR Line Haul Operation for Coal, and the Cost of Petroleum for Steam-Electric Plants. In the calculations provided in Exhibit NSTAR-RBH-6 (**CONFIDENTIAL**) initially filed in the case, those indices were projected based on an assumed constant 2.5 percent annual escalation. In Exhibit DTE-1-3 (Supplemental), the indices were projected based on the change from month-to-month or year-to-year in the Henwood projections for delivered New England gas prices, the New England coal prices and the No. 6 fuel oil prices, respectively. The underlying Henwood commodity price forecast provides a better set of proxies for future changes in the fuel indices. That is, since the Henwood forecast does not provide projections of the indices themselves, CEA used changes in the related commodity prices as the bases for the PPI projections. In addition, the Supplemental Energy Payment portion of the Boston Edison contracts was updated to reflect more recent Natural Gas PPI data. Neither of those changes have any bearing on the projected energy prices, which are provided directly (in real dollars) from Henwood, and therefore none of these changes have any bearing on the calculation of Projected Market Price.

Attachment RR-AG-2-2 **CONFIDENTIAL** presents three tables that compare the relevant portions of the initial version of Exhibit NSTAR-RBH-6

NSTAR Electric  
Department of Telecommunications and Energy  
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**(CONFIDENTIAL)** with the calculations updated by Exhibit DTE-1-3 (Supplemental), demonstrating that there is no change in the calculation of Projected Market Price.